

NSC BRIEFING**5 December 1957****INDONESIA**

- I. Indonesia's failure to win United Nation endorsement of its resolution on Netherlands New Guinea (vote was 41-29 for, but two-thirds majority was required) touched off a government-sponsored campaign of retaliation against the Dutch, particularly in Java, which could rapidly lead to chaotic political and economic conditions.**
 - A. Campaign against the 50-60,000 Dutch residents and investments (about \$1.5 billion) commenced with 24 hour strike on 2 December involving 150,000 Indonesian workers in Dutch enterprises.**
 - B. This was followed by official bans on all Dutch-language publications, KLM flights into Djakarta, entry of Dutch citizens into Indonesia as well as unofficial harassment of individuals.**
 - C. Latest moves have been Foreign Ministry orders to Dutch diplomatic mission in Djakarta to close six Netherlands consulates (3 in Java, 2 in Sumatra, 1 in Celebes) and to cease all press and cultural activities; Minister of Justice has ordered that all Dutch citizens be repatriated or expelled.**
 - 1. First to go will be estimated 9,000 "unemployed" Dutch who are financially supported by Netherlands' govt (KLM employees, for instance) and any others who can be replaced by Indonesians.**

NSA review completed

D. As result these developments, break in diplomatic relations probably is next step to be expected.

II. Communists have been quick to exploit situation.

A. "Workers" belonging to the Communist-led labor federation, SOBSI, have occupied premises of at least seven leading Dutch firms.

1. Included are banks, import-export firms, and KPM--the large ship company which handles 70 percent of inter-island shipping.

B. "Workers" have proposed that the government assume ownership of these companies with proviso that they have a voice in their future management.

C. Although Indonesian government is trying to keep lid on movement which it has launched, it is questionable whether moderates can prevent continued freewheeling by Communists or increase of excesses to point of physical violence against Dutch personnel, and possibly other Westerners.

1. Indonesian government, for instance, claims that Communist seizures of Dutch property were not officially sanctioned, but no effective counteraction has been taken and it apparently has agreed to SOBSI proposals as red flags that were hoisted over seized buildings have been replaced by Indonesian national flag.

D. We believe that the chances are still better than even that the Communists will not attempt forcefully to seize control of the government in the next few weeks.

III. Further complication was attempted assassination of Sukarno on 30 November.

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A. Unless it can be proved that Communists were responsible.

effect is likely to

increase Sukarno's messianic complex and tighten his relations with reds.

B. It is widespread concern (including Premier Djuanda's) that Sukarno is likely to retaliate harshly against those opposed to his policies. This would virtually eliminate any prospects for peaceful settlement of Indonesia's internal political strife.

C. In any event, breach between Sukarno and dissident colonels has widened still more.

1. In this connection, the National Reconstruction Conference which convened in Djakarta on 25 November appears to have been a complete failure.

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